

## Function 700: Veterans

Function 700 consists of veterans' benefits programs. Mandatory spending in this function pays for veterans' educational benefits and income security benefits such as compensation, pensions, and life insurance. The vast majority of appropriated funding in this function is for veterans' hospitals and medical care, but it also includes funding for housing programs, veterans' cemeteries, and the general operating expenses of the Department of Veterans' Affairs (VA).

For 2001, the conference agreement on the Republican budget resolution provides \$22.1 billion in appropriated funding for veterans' programs. This level of funding is \$1.2 billion (5.7 percent) above the 2000 freeze level and \$400 million (1.8 percent) above the level needed to maintain current purchasing power. Republican documents indicate that most or all of this increase is intended for veterans' health care programs. For 2002 through 2005, the Republican plan increases appropriated funding for veterans by \$400 million to \$700 million annually, which represents a cut in purchasing power. By 2005, the conference agreement cuts current purchasing power by \$400 million (1.6 percent).

Relative to projected mandatory spending under current law, the conference agreement assumes small increases for 2001 and 2002, followed by small decreases for the following three years. These changes essentially net out over five years. This spending pattern is the result of two policy assumptions. First, the conference agreement assumes an increase in Montgomery GI Bill education benefits of roughly \$100 million to \$200 million per year. Second, the conference agreement assumes the extension of several veterans-related savings provisions that are set to expire after 2002. Extending those provisions reduces mandatory spending roughly \$300 million per year for 2003 through 2005.

For information on provisions in the conference agreement related to health care for military retirees, see *Military Retirees*.

- **Comparison with the House Resolution** — For 2001, the conference agreement provides \$100 million less for veterans appropriations than the House resolution. However, over 2001-2005, the total for veterans appropriations in the conference agreement is \$500 million higher than in the House resolution.
- **Comparison with the Democratic Alternative** — For 2001, the conference agreement provides \$200 million less in appropriations for veterans than the Democratic alternative resolution. Over 2001-2005, the conference agreement provides \$500 million less in appropriations than the Democratic alternative.

- ***Republicans Follow Democrats' Lead on GI Bill Increase*** — Neither the House nor the Senate resolutions provided for an increase in Montgomery GI Bill education benefits, which have not kept pace with the rapid increases in higher education costs. In contrast, the Democratic alternative resolution provided for a 25 percent increase in monthly benefits. The conference agreement follows Democrats' lead by increasing mandatory spending for GI Bill benefits. However, the conference agreement provides \$700 million less over five years for this proposal than the Democratic alternative did.